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CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

AIRPORT COMMISSION:

Concession Audit of
California Yogurt

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Audit Number 01031
October 18, 2001

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Edward Harrington
Controller

Matthew H. Hymel
Chief Assistant Controller

October 18, 2001

Audit Number 01031

San Francisco Airport Commission
San Francisco International Airport
San Francisco, CA 94128

President and Members:

The Controller's Audits Division contracted with Hood & Strong LLP to conduct an audit of California Yogurt, a subtenant of Host. Attached is the report prepared by Hood & Strong LLP concerning its review of California Yogurt. Host has a contract with the Airport Commission of the City and County of San Francisco to provide food and beverage concessions at the San Francisco International Airport, and subcontracts some of the stores to subtenants.

Reporting Period: July 1, 1998, through June 30, 2001

Revenue Reported: \$444,164

Results: Hood & Strong LLP found that California Yogurt did not retain cash register tapes for the three years, as required by its lease with Host. Hood & Strong LLP was able to gain assurance that California Yogurt correctly reported its gross revenues based on tests of recent records.

California Yogurt's response is attached to this report. The Controller's Audits Division will be working with the Airport to follow up every six months on the status of the recommendations.

Respectfully submitted,

NORIAKI HIRASUNA
Director

Independent Accountants' Report

CITY AND COUNTY OF SAN FRANCISCO
CONTROLLER'S OFFICE
San Francisco, California

We have performed the procedures, enumerated below, which were agreed to by the management of the **CONTROLLER'S OFFICE, CITY AND COUNTY OF SAN FRANCISCO (the City)**, to certain accounting records of **California Yogurt (the Tenant)** for the period July 1, 1998 through June 30, 2001 solely to assist you in determining compliance by the Tenant with respect to certain provisions of a lease agreement between Host International, Inc. (Host) and the Tenant. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The objectives and procedures and the associated findings are as follows:

Objective:

The monthly revenue reports submitted by the Tenant to Host (Host reports) are correct based on the Tenant's records.

Summary of Revenue Reports (excluding sales tax):

July 1, 1998 - June 30, 1999	\$ 158,471
July 1, 1999 - June 30, 2000	\$ 157,397
July 1, 2000 - June 30, 2001	\$ 128,296

Procedure:

Obtain an understanding of procedures and controls.

Finding:

The tenant's operation is a one-man operated retail frozen yogurt store. The owner performs all sales, cash receipts, recording the sales information, making bank deposits and reporting to Host. There is no segregation of duties. The tenant does utilize a cash register machine that has a daily cash register tape.

Consultants and

Business Advisors

101 California

San Francisco

San Francisco

CA 94111

415.781.0771

fax 415.421.2976



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Procedure:

Obtain monthly revenue reports from both the tenant and Host. Compare to see if the reports have any discrepancies with each other.

Finding:

Host could not supply the reports for 1998. No exceptions were noted for 1999, 2000 and 2001.

Procedure:

Do a trend analysis for each month of the period under investigation. Detect any variations that appear significant.

Finding:

No significant variations noted.

Procedure:

Determine if Host reports agreed with the Tenant's Quarterly Sales Tax Returns for the periods under review.

Finding:

No exceptions noted.

Procedure:

Determine if Host reports are supported by the Tenant's monthly summary records.

Finding:

No exceptions noted.

Procedure:

Determine if the Tenant's monthly summary records are supported by the daily sales reports and if the monthly summary records are complete. Determine if the daily sales report is supported by the primary documentation of daily sales.

Finding:

The Tenant's monthly summary records are also the daily sales reports. The Tenant only had the daily cash register tapes to support the monthly summary records for the months of April, May, and June 2001. We selected three days from each month and traced the daily sales to the underlying cash register tapes. No exceptions noted.

We were not engaged in, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified items described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Wood; Strong LLP

August 30, 2001

CALIFORNIA YOGURT

RECOMMENDATIONS TO MANAGEMENT

Per the lease agreement with Host, "Concessionaire agrees to keep and maintain complete and accurate books and records of his business operations in accordance with generally accepted accounting principles and in the form and manner prescribed by Host. Concessionaire agrees to preserve his books, records and tax returns for at least three (3) years after preparation thereof or for such longer period as may be required under the lease. Concessionaire shall generate and preserve cash register tapes as part of the aforesaid records." However, the Tenant only had the daily cash register tapes to support the monthly summary records for the months of April, May, and June 2001. We recommend the Tenant keep complete books, records, tax returns and cash register tapes for at least three (3) years after preparation.

Allan Y. Fong
California Yogurt Enterprises
P.O. Box 250037
San Francisco International Airport
San Francisco, CA 94125

October 15, 2001

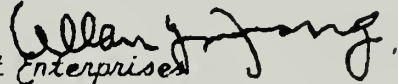
Mollie Marshall
Hood & Strong, LLP
101 California St. Suite 1500
San Francisco, CA 94111

Dear Mollie Marshall:

Thank you for your letter of September 25, 2001. I also want to thank you for your advice. I have no questions or comments on your letter. I will try to keep all my books records, tax returns and register tapes for my next three years.

Sincerely:

Allan Y. Fong
California Yogurt Enterprises
850 875-9306





CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER
AUDITS DIVISION

Edward Harrington
Controller

Matthew H. Hymel
Chief Assistant Controller

October 18, 2001

Terry Gwiazdowski, Program Director
Government Information Center
San Francisco Public Library
San Francisco, CA 94102

Dear Ms. Gwiazdowski:

Enclosed is our report concerning the concession audit of California Yogurt. The report indicates that California Yogurt correctly reported its gross revenues to the Airport Department.

Sincerely,

A handwritten signature in dark ink, appearing to be 'Noriaki Hirasuna', written over a horizontal line.

NORIAKI HIRASUNA
Director

Enclosure

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